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ACTION EB-11

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E.O. 11652: GDS

TAGS: ENGR SP

SUBJ: ENERGY: GOS ATTITUDE ON SPECIAL OIL DEALS WITH ARABS;
GOS MINISTER'S TRIP TO MIDDLE EAST POSTPONED; PRINCE TO
CALL ON KING FAISAL; FINANCE MINISTER BARRERA DE IRIMO IN
TROUBLE AS CABINET POLARIZES; INI'S POTENTIAL ROLE IN
GOVERNMENT-TO-GOVERNMENT ARRANGEMENT

REF: MADRID 211

1. EMBOFF RECEIVED CALL FROM FORMER FINANCE MINISTRY
UNDER SECRETARY AND NEW INI (INSTITUTO NACIONAL DE
INDUSTRIA) PRESIDENT FRANCISCO FERNANDEZ ORDONEZ (PRO-
TECT) EVENING OF FEBRUARY 13 DURING WHICH SEVERAL
INTERESTING POINTS WERE MADE WITH REFERENCE TO THE GOS
ATTITUDE ON PETROLEUM, THE TRIPS OF GOS OFFICIALS TO
THE MIDDLE EAST AND THE INTERNAL POLITICAL SITUATION.
IT SHOULD BE NOTED THAT FERNANDEZ ORDONEZ IS AN
INTIMATE COLLABORATOR OF FINANCE MINISTER BARRERA DE
IRIMO AND WAS PLACED IN HIS POSITION AT INI AS A RESULT
OF THIS CONNECTION. HE IS ALSO CLOSELY LINKED TO PRINCE

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JUAN CARLOS. DURING THE RECENT VISIT OF SAUDI ARABIAN

PETROLEUM MINISTER YAMANI AND ALGERIAN INDUSTRY AND ENERGY MINISTER ABDESSLAM (REPORTED REFTEL), FERNANDEZ ORDONEZ WAS A PARTICIPANT IN THE SUBSTANTIVE TALKS THAT TOOK PLACE.

2. FERNANDEZ ORDONEZ STATED THAT HE HAD JUST RETURNED FROM A TWO-HOUR SESSION WITH PRINCE JUAN CARLOS. AMONG THE TOPICS DISCUSSED WAS THE PRINCE'S UPCOMING VISIT (FEB 15-17) TO SAUDI ARABIA. FERNANDEZ ORDONEZ STATED THERE WAS NO DIRECT CONNECTION BETWEEN THE SCHEDULING OF THE PRINCE'S CALL ON FAISAL AND THE DESIRE TO WORK OUT SOME SORT OF AN ARRANGEMENT WITH THE SAUDIS ON OIL. HOWEVER, HE DID SAY THAT THE PRINCE'S VISIT WILL BE UTILIZED TO "OPEN THE DOOR" FOR A SUBSEQUENT VISIT TO BE MADE BY A SPANISH MINISTERIAL-LEVEL TEAM FOR NEGOTIATING PURPOSES. FINANCE MINISTER BARRERA DE IRIMO HAD BEEN SCHEDULED TO GO TO SAUDI ARABIA FOR THIS PURPOSE THIS WEEK. HOWEVER, APPARENTLY THERE WERE SCHEDULING DIFFICULTIES ON THE PART OF THE SAUDIS AND OTHERS. FOR THIS REASON BARRERA'S TRIP HAS BEEN POSTPONED UNTIL MARCH. AT THAT TIME INDUSTRY MINISTER SANTOS BLANCO AND INI PRESIDENT FERNANDEZ ORDONEZ MAY ALSO PARTICIPATE.

3. FERNANDEZ ORDONEZ SAID THE OBJECTIVE OF THE SPANISH NEGOTIATORS IS TO OBTAIN AN "EVERGREEN" CONTRACT. HE SAID THAT THE SPANISH DESIRE TO OBTAIN SOME SORT OF GUARANTEE ON PETROLUUM SUPPLIES. HE REITERATED HIS FEELING FIRST REPORTED REFTEL THAT THE SPANISH HAD THE IMPRESSION THE ARABS REALLY DID NOT KNOW WHAT THEY WANTED AND THAT THE PLANNED TRIP WAS TO CLARIFY THIS. IN ANY CASE, FERNANDEZ ORDONEZ EMPHASIZED, THEY WOULD NOT GO THEIR SEPARATE WAY AS THE FRENCH IN MAKING A BILATERAL AGREEMENT. HE SAID THAT THE SPANISH WOULD ACCEPT THE GUIDELINES WORKED OUT IN WASHINGTON AND WOULD FULLY COOPERATE IN WHATEVER INTERNATIONAL APPROACH IS DEVELOPED ON THESE MATTERS IN TERMS OF AGREEMENTS WITH THE PETROLEUM SUPPLYING NATIONS. HE SAID THE SPANISH WERE ANXIOUSLY WAITING TO SEE WHAT THESE GUIDELINES WOULD BE.

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4. FERNANDEZ ORDONEZ INDICATED THAT HIS DEPARTURE FROM THE FINANCE MINISTRY TO INI WAS VIEWED AS A PARTICULARLY GOOD THING BY HIMSELF IN THAT IT REMOVED HIM FROM THE DIRECT ASSOCIATION WITH THE CURRENT GOVERNMENT THAT HIS MINISTERIAL SLOT IMPLIED. HE WAS HAPPY THAT HE COULD BE SEPARATED FROM THE TAINT OF ASSOCIATION WITH FALANGE-MOVEMENT CONSERVATIVE GOVERNMENT SUCH

AS IS HEADED BY PRESIDENT ARIAS NAVARRO. (BARRERA IS NOT TOO PLEASED AT HIS OWN SITUATION IN THIS REGARD -- SEE MADRID 239.) IN THIS CONNECTION HE SAID THAT BARRERA WAS HAVING SERIOUS TROUBLE, IMPLYING THAT HIS RELATIONS WITH ARIAS WERE NOT THE BEST. REPORTS RECEIVED FROM OTHER EMBASSY SOURCES WOULD CONFIRM THAT THIS IS THE CASE. INDEED, THERE DOES SEEM TO BE POLARIZATION OF CABINET FORCES WITH ARIAS ON THE ONE END AND BARRERA ON THE OTHER. BARRERA HAVING FAR FEWER PEOPLE IN HIS CIRCLE THAN ARIAS, HE IS SOMEWHAT AT A DISADVANTAGE. SUCCESS IN HANDLING THE ENERGY PROBLEM WILL REINFORCE BARRERA'S POSITION; LACK OF IT WILL WEAKEN IT.

5. INI IS A VERY MAJOR FORCE IN THE SPANISH ECONOMY AS THE GOVERNMENT HOLDING COMPANY WHICH HAS EQUITY POSITIONS IN 58 SPANISH CORPORATIONS. PRODUCTION OF THE INI COMPANIES AMOUNTS TO 4 PERCENT OF THE TOTAL SPANISH GNP AND 10.4 PERCENT OF THE GROSS INDUSTRIAL PRODUCT. AS SUCH, IT IS BY FAR THE LARGEST INDUSTRIAL COMBINE IN SPAIN. MORE TO THE POINT, IN VIEW OF THE PETROLEUM CRISIS, INI CONTROLS ONE-THIRD OF THE REFINING CAPACITY IN SPAIN, 25 PERCENT OF THE FERTILIZER PRODUCTION. NOT UNRELATED, IT ALSO ACCOUNTS FOR OVER 80 PERCENT OF THE SHIP CONSTRUCTION IN SPAIN, WHICH IS NOW FOURTH RANKING IN THE WORLD. ALSO, THE GOVERNMENT HAS THE PETROLEUM MARKETING MONOPOLY, CAMPSA, WHICH CONTROLS THE DISTRIBUTION OF ALL PETROLEUM PRODUCTS IN SPAIN. THIS LAST NAMED ORGANIZATION HAS JUST RECEIVED A NEW EXECUTIVE DIRECTOR, JOSE VILARASAU SALAT, WHO USED TO WORK FOR FERNANDEZ ORDONEZ AND BARRERA IN THE FINANCE MINISTRY. PUTTING ALL THESE FACTORS TOGETHER, IT SEEMS ESPECIALLY FEASIBLE FOR SPAIN TO WORK OUT A
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GOVERNMENT-TO-GOVERNMENT DEAL WITH THE ARABS IN TERMS OF OIL PURCHASES AND THE ONLY LIKELY SIZABLE NON-MONETARY COUNTERPART THAT THE SPANISH WOULD HAVE TO OFFER: IOL TANKERS.

6. GIVEN THE COOPERATIVE ATTITUDE EXPRESSED BY FERNANDEZ ORDONEZ WITH RESPECT TO A UNIFIED APPROACH TOWARD BILATERAL ARRANGEMENTS WITH THE ARABS AND THE CONDITIONS WHICH ARE PRESSING THEM TO DO SOMETHING TO GUARANTEE THEIR OIL SUPPLIES, IT SEEMS ESPECIALLY IMPORTANT TO COORDINATE AND COLLABORATE WITH THE GOS TO THE MAXIMUM EXTENT ON ENERGY ISSUES AND POLICY. THE EMBASSY THEREFORE RECOMMENDS THAT THE DEPARTMENT TRANSMIT PROMPTLY THE MAXIMUM AMOUNT OF INFORMATION POSSIBLE ON THESE THEMES OMSO THAT THEY MAY BE PROVIDED TO THE APPROPRIATE GOS

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